INSTITUTE OF ACTUARIAL
& QUANTITATIVE STUDIES

Subject: BASEL

Chapter:

Category: Practice Questions

Q1. Bank XYZ has recently become the victim of a cyber attack on its servers leading to them being down for 48 hours, completely disrupting banking activity. The regulator has imposed heavy fines due to the bank's poor information security infrastructure. The bank has hired you as a consultant to develop and strengthen its security framework. Detail the aspects you will cover and the changes you will bring about to prevent the risk of such attacks in the future.

Q2. What is the countercyclical capital buffer and the capital conservation buffer? Compare and contrast.

Q3. What are the changes brought about Basel 2.5?

Q4. Outline the similarities between Solvency and Basel frameworks.

Q5. Briefly explain ICAAP and describe the Pillar II risks to be covered under the same.

Q6. You have been hired to set up the MLFT risk management policy of a newly established bank. Outline the aspects you will cover under the same.

Q7. Compute derivatives exposure under current exposure method for the following:

Transaction ID	Counterparty	Type	Notional	MTM	Remaining maturity (in years)	Netting applicability
1	A	FX swap	730,432	63,056	3.18	Yes
2	A	Interest rate swap	407,991	(32,374)	3.62	Yes
3	B	Interest rate swap	156,323	(85,027)	3.80	No
4	C	Interest rate swap	355,056	81,058	0.01	No
5	D	FX forward	988,640	90,578	2.48	Yes
6	D	FX forward	275,510	17,168	2.40	Yes
7	F	FX forward	468,490	(46,244)	2.61	Yes
8	C	FX forward	924,579	35	2.97	No
9	B	FX forward	752,166	95,866	3.41	No
10	E	Interest rate option	584,919	(80,133)	1.40	No
11	E	Interest rate option	587,461	90,913	3.01	No
12	E	FX option	913,584	(68,595)	0.28	No

Q8. Compute operational risk capital requirement and risk weighted assets under standardized measurement approach for the following:

Head	Amount
Interest income	903,036,995
Interest expenses	771,950,242
Fee income	7,921,702
Net P&L of trading book	406,366,648
Net P&L of banking book	347,377,609
Fee expense	943,670
Other operating income	468,490
Other operating expense	924,579